

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY	:	
	:	
Petition for approval of delivery services tariffs and	:	No. 01-0423
tariff revisions and of residential delivery services	:	
implementation plan, and for approval of certain	:	
other amendments and additions to its rates, terms,	:	
and conditions.	:	

Rebuttal Testimony of
JENNIFER T. STERLING, P.E.
Director of Tariff Administration,
Transmission Services Department
Commonwealth Edison Company

1 Q. Please state your name.

2 A. Jennifer. T Sterling.

3 Q. Have you previously testified in this proceeding?

4 A. Yes. I submitted direct testimony on behalf of Commonwealth Edison Company
5 (“ComEd”).

6 Q. What is the purpose of your rebuttal testimony?

7 A. The purpose of my rebuttal testimony is to respond to various statements made in the
8 direct testimonies of “ARES Coalition” witness Thomas Butler, Government and
9 Consumer Intervenors (“GCI”) witness Edward Bodmer, Illinois Industrial Energy
10 Consumers (“IIEC”) witness Robert Stephens, and Illinois Commerce Commission (the
11 “Commission”) Staff (“Staff”) witness David Borden. Specifically, I will: (1) respond to
12 claims that end-users are not liable for transmission service and related charges imposed
13 under an applicable Open Access Transmission Tariff (“OATT”); (2) respond to concerns
14 about retail Energy Imbalance; and (3) address various other tariff provisions that are
15 noted in those testimonies.

16 **End Users Are Liable for Transmission Charges Under the OATT**

17 Q. Assertions were made by three witnesses (Butler, lines 318-326, Bodmer, lines 1777-
18 1806, and Borden, lines 108-150) that retail end-use customers should not be ultimately
19 liable for transmission service charges. Is this a question addressed by state-jurisdictional
20 tariffs?

21 A. No. Unbundled transmission services and ancillary transmission services are provided
22 under the authority of the federal government. The rates, terms, and conditions at which

23 they are provided are set forth in Open Access Transmission Tariffs on file with the
24 Federal Energy Regulatory Commission (the “FERC”). Illinois state tariffs cannot alter
25 the rates, terms, and conditions at which the transmission provider(s) offer or provide
26 such services. I am familiar with this principle as a matter of transmission tariff
27 administration. While I am not an attorney, I also understand that the principle that “an
28 electric utility shall provide the components of delivery services that are subject to the
29 jurisdiction of the Federal Energy Regulatory Commission at the same prices, terms and
30 conditions set forth in its applicable tariff as approved or allowed into effect by that
31 Commission” is specifically recognized and confirmed in the Illinois Public Utilities Act
32 (the “Act”), 220 ILCS 5/16-108(a). Thus, although ComEd’s Delivery Services Tariff
33 contains rates for both transmission and distribution services, in conformance with the
34 Act, the Act itself recognizes that the transmission component is subject to exclusive
35 federal jurisdiction.

36 Q. Is ComEd proposing any change in its state-jurisdictional tariff that would make retail
37 customers liable for transmission charges for which they are not currently liable?

38 A. No. End users are, and have been, liable for such charges by virtue of the fact that they
39 are the delivery services customer under state law and the Eligible Customer under the
40 OATT.

41 Q. Then what is the purpose and effect of the proposed section in ComEd’s proposed Rider
42 TS - Transmission Service (“Rider TS”) referring to retail customer liability for
43 transmission services?

44 A. Once the Alliance Regional Transmission Organization (or other “RTO”) becomes the
45 transmission provider, Rider TS will allow for more cost-effective collection of

transmission service charges that retail customers owe to the RTO by permitting ComEd to collect these charges on behalf of the transmission provider using its existing billing system. In ComEd's view, this will not only reduce the costs of collection, but will also reduce the financial security requirements applicable to Retail Electric Suppliers ("RESs") operating in Illinois.

Q. Are the end users taking delivery services liable for unpaid transmission charges in the absence of this portion of proposed Rider TS?

A. Absolutely. The transmission provider would just have to use its own (purchased or under contract) billing system. End user liability is contained in the *pro forma* OATT which, as I stated in my direct testimony, is under the jurisdiction of FERC. Section 1.11 of ComEd's OATT, which is on file with FERC, defines an Eligible Customer as:

(i) Any electric utility (including the Transmission Provider and any power marketer), Federal power marketing agency, or any person generating electric energy for sale for resale is an Eligible Customer under the Tariff. Electric energy sold or produced by such entity may be electric energy produced in the United States, Canada or Mexico. However, with respect to transmission service that the Commission is prohibited from ordering by Section 212(h) of the Federal Power Act, such entity is eligible only if the service is provided pursuant to a state requirement that the Transmission Provider offer the unbundled transmission service, or pursuant to a voluntary offer of such service by the Transmission Provider.

(ii) Any retail customer taking unbundled transmission service pursuant to a state requirement that the Transmission Provider offer the transmission service, or pursuant to a voluntary offer of such service by the Transmission Provider, is an Eligible Customer under the Tariff. (Emphasis added.)

With respect to their retail load, Retail Electric Suppliers are Transmission Customers under the OATT solely due to the fact that they are Designated Agents for retail customers who are themselves Eligible Customers.

75 Q. Given the foregoing, please summarize the effect of the cost recovery language in
76 ComEd's proposed Rider TS on end users.

77 A. The language in ComEd's proposed Rider TS does not create or shift the liability for
78 unpaid transmission service charges to retail customers. As stated above, this liability
79 appears in ComEd's FERC jurisdictional OATT. Rather, this language provides a lower
80 cost mechanism to recover such charges should a RES fail to remit payment to the
81 Transmission Provider, be that ComEd or a regional transmission organization.

82 Q. Why does ComEd believe this sort of mechanism is necessary and desirable?

83 A. There are two reasons. First, the Alliance RTO ("ARTO") will not have ready access to
84 the necessary retail billing information, nor will it have in place billing systems needed,
85 in order to apportion, bill, and collect unpaid transmission service charges to retail
86 customers should their RES fail to remit payment.

87 Second, this mechanism will protect the retail market in Illinois by providing a
88 rational and low cost alternative through which Retail Electric Suppliers will be able to
89 meet the creditworthiness requirements of the Alliance RTO (or other RTO). In other
90 words, by providing the Alliance RTO with a workable alternative, ComEd believes that
91 the RESs will be able to leverage the aggregate credit history of their customers in order
92 to meet the requirements of the Alliance RTO.

93 Q. Does ComEd receive any direct benefit from this proposal?

94 A. No. It is intended to be a pro-competitive proposal that ComEd believes will reduce costs
95 imposed on Retail Electric Suppliers, without harm to any other party. The proposal does
96 not improve ComEd's financial position or increase its revenues.

97 Q. Staff witness David Borden (lines 199-217) suggests that ComEd may not be permitted to
98 use customer usage data in its possession in order to bill for transmission charges as
99 ComEd proposed. Is this correct?

100 A. No. ComEd's proposed use of this information is to bill and collect delivery services
101 charges duly owed to a transmission provider. Customers take utility service from the
102 transmission provider just as from ComEd. When they do so, they authorize the
103 transmission provider to measure their use. It would hardly be sensible policy to say that
104 this can only be done by installing duplicate meters. The proposed use of existing meter
105 data to allow ComEd to bill the Alliance RTO's charges is not an improper use of data,
106 any more than allowing RESs access to billing data related to the services that they
107 provide. Section 24 and Attachment G of ComEd's OATT details the applicable
108 metering requirements for Point-to-Point and Network Integration Transmission
109 Customers respectively. The proposed ARTO OATT contains the same provisions in
110 Section 24 and will include similar requirements in Attachment G once it is filed with the
111 FERC. The transmission provider is entitled to data concerning the use of its services.

112 Q. Is there any guarantee that the Alliance RTO will accept this mechanism?

113 A. No. The Alliance RTO will be an independent organization that will make its own
114 decisions regarding what credit standards to apply to its customers. However, ComEd
115 believed that it was important to preserve this option so that RESs have an alternative
116 manner for proving creditworthiness. In response to data requests, ComEd quickly
117 screened the credit histories of existing RESs serving end users in its retail service
118 territory. In our estimation, if these RESs are required to meet the wholesale credit

requirements of the Alliance RTO, only one would be able to meet the requirements as listed in the Alliance RTO's OATT without a parental guaranty or letter of credit.

Let me emphasize that this is not a unique feature of the Alliance RTO. Credit requirements such as these are common in the wholesale world, and ComEd expects that any RTO would have similar requirements. Indeed, ComEd would impose similar requirements now, were it not for the fact that end users are now liable for transmission charges.

Retail Energy Imbalance

Q. In his direct testimony, IIEC witness Robert Stephens discusses Retail Energy Imbalance Service under ComEd's OATT. He states that you testified that ComEd might retain its present Schedule 4A in the event that ComEd determined that the Alliance RTO Energy Imbalance service was not effective for the Illinois retail market. Can you please update the Commission on the status of the Alliance RTO Energy Imbalance tariffs.

A. Yes. Subsequent to the filing of my direct testimony in this proceeding, the Alliance RTO companies have filed their proposed OATT rates, terms, conditions, Schedules, and Attachments with FERC in FERC Docket Nos. RT01-88-006, ER99-3144-000 and EC99-80-000. We now have a clearer picture of the Energy Imbalance market that will be initially operating in the Alliance RTO's service area, as well as the back-up in the event that the full Energy Imbalance market is not operational on "Day 1" of the Alliance. As contained in the Alliance RTO OATT's proposed Attachment Q, for retail service in ComEd's Alliance RTO Pricing Zone, ComEd will retain its present OATT Schedules 4A, 4B, and 10, in the event that the Alliance Energy Imbalance market is not available for service on the Transmission Service Date of the Alliance RTO. ComEd has

committed to discontinue the use of Schedules 4A, 4B, and 10 as soon as FERC approves the operation of the Alliance RTO Energy Imbalance market.

Q. Will the Alliance RTO Energy Imbalance market as presently defined allow retail customers to effectively participate in the energy market?

A. Yes. The Alliance RTO Energy Imbalance market would price Energy Imbalance at the megawatt-weighted average price of accepted bids to provide this service in the ComEd Pricing Zone. There will be no deadbands, adders, or discounts in this Alliance RTO Energy Imbalance market. All Imbalance Energy will clear at the market price. ComEd believes that by providing a market structure without penalties, the Alliance RTO will allow all retail customers to effectively participate in the energy market, including those currently covered by the special provisions of Schedules 4A, 4B, and 10.

Assumptions about ComEd's Transmission Rate Case

Q. Several witnesses have commented in their testimony that they believed that ComEd's proposed transmission rates would go down as a result of refunctionalization of various assets to distribution. Please comment.

A. ComEd refunctionalized new investment made since the last delivery services rate case prior to filing either this docket or its FERC transmission rate case. In the aggregate, this resulted in a transfer to distribution of assets initially "booked" to transmission. This transfer did, in fact, reduce the transmission rates filed by ComEd compared to what they would have otherwise been, and in an absolute sense. However, since ComEd's last transmission rate case, it has made a great deal of additional investment in transmission facilities, and transmission expenses have increased. As a result, transmission rates in total increased, even taking into account the refunctionalization. ComEd has never stated

that its new transmission rates would go down, but rather that any increase in distribution rates due to refunctionalization would be reflected in a corresponding reduction in transmission rates. That has happened.

Other Proposed Tariff Revisions

Q. In the Direct Testimony of Staff witness David Borden, he states that he opposes “ComEd’s tariff language that terminates ComEd’s obligation to provide transmission service.” (Lines 260-284). Please respond.

A. It appears that Mr. Borden misunderstands this language. This provision does not in itself terminate ComEd’s obligation to provide transmission service. It merely recognizes the fact that if, in the future, ComEd is not a Transmission Provider or Transmission Owner under federal transmission tariffs, then ComEd will not be obligated to provide the transmission and ancillary transmission services as detailed in the OATT. In fact, under FERC Order No. 2000, the Alliance RTO will become the single transmission provider for transmission service that ComEd presently provides. When the transfer of functional control to the Alliance RTO is effect, ComEd may no longer lawfully provide transmission service. That obligation transfers as a matter of federal law and FERC tariff.

I also note that this language is not new and ComEd is not requesting that the Commission approve it in this docket. This provision was proposed by ComEd and approved by the ICC in Docket No. 99-0117. It is already part of ComEd’s tariffs.

Q. Does this conclude your rebuttal testimony?

A. Yes.